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CHAIRMAN JIM SAXTON

PRESS RELEASE

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STATEMENT OF CHAIRMAN JIM SAXTON Economic Outlook

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WASHINGTON, D.C. – I am pleased to welcome Chairman Bernanke and the members of our second panel of witnesses before the Joint Economic Committee this morning. This Committee values its long history of cooperation with the Council of Economic Advisers. The testimony today will provide a solid foundation for understanding the forces that are shaping current economic conditions as well as the economic outlook.

The recent hurricanes have caused a tragic loss of life and property on the Gulf Coast, and also have had temporary effects on the U.S. economy as a whole. One reason for this national impact is that a significant portion of U.S. oil and gas production is concentrated in the Gulf, and much of it is still damaged. Thus it is reasonable to expect that the economic impact of the hurricanes will slow GDP growth in the second half of 2005. In 2006, as recovery efforts proceed, many economists expect growth to be a bit higher than previously forecast.

Despite the hurricane damage, a broad array of standard economic data indicates that the economic expansion has built up strong momentum. The U.S. economy grew 4 percent in 2004, and advanced at a rate of about 3.5 percent in the first half of 2005. A rebound in business investment has played an important role in explaining the pick-up in the economy since early 2003. Equipment and software investment has been strong over this period.

The improvement in economic growth is reflected in other economic figures as well. Since May of 2003, business payrolls have increased by 4.2 million jobs. The unemployment rate stands at 5.1 percent. Consumer spending continues to grow. Homeownership has hit record highs. Household net worth is also at a record level. Productivity growth continues at a healthy pace.

Long run inflation pressures appear to be contained. Long-term interest rates, including mortgage rates, are still relatively low. It is clear that the Fed remains poised to keep inflation under control.

In summary, overall economic conditions remain positive. The U.S. economy has displayed remarkable flexibility and resilience in dealing with many shocks. It is clear that monetary policy and tax incentives for investment have made important contributions to the improvement in the economy in recent years. Recently released minutes from the Federal Reserve suggest that the central bank expects this economic strength to continue.

The Administration forecast for economic growth in 2006 is comparable with those of the Blue Chip consensus and the Federal Reserve. With growth expected to exceed 3 percent next year, the current economic situation is solid and the outlook remains favorable.

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